



## *Opening Statement*

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**Statement of Subcommittee Chairman Jeff Duncan (R-SC)  
Subcommittee on Oversight and Management Efficiency  
Committee on Homeland Security**

**“DHS Financial Management: Investigating DHS’s Stewardship of Taxpayer Dollars”**

**Remarks as Prepared**

Since its inception 10 years ago, the Department of Homeland Security has faced a multitude of challenges in combining 22 distinct legacy agencies into one cabinet-level department. This has been especially true with resolving financial management deficiencies at DHS. Integrating components and their budgets is a complex process in the best of situations, but doing it while protecting the nation from terrorist attacks, natural disasters, and other day to day missions has proven particularly difficult. These challenges were further compounded at the Department by inherited financial management problems that existed at several legacy components, including the Coast Guard, FEMA, and the agencies that now makeup U.S. Immigration and Customs Enforcement.

Congress has conducted vigorous oversight over DHS financial management and has demanded that the Department make progress in better managing its finances. In October 2004, in an effort to enhance the management and credibility of the Department, Congress has passed various pieces of legislation requiring that DHS undergo annual financial audits, keep better financial information, and make sure financial statements are ready in a timely manner in order to have them adhere to applicable accounting principles, also known in financial speak as obtaining a “clean opinion.”

It is important to mention some of the progress DHS management has committed to and accomplished toward its financial management goals in recent years. Notably, from 2005 to 2012, the Department corrected many problems with its financial statements, increased component progress through more direction and oversight, and strengthened internal controls to increase the usefulness, reliability, and timeliness of financial information.

While the Department has made progress in obtaining a clean opinion on its financial statements, the Government Accountability Office, in its report released to Congress yesterday, explains that this has

been the result of complex manual workarounds that make up for a lack of effective controls. GAO has concluded that absent sound internal controls over its financial reporting, “the Department’s ability to efficiently manage its operations and resources on a daily basis and routinely provide useful, reliable, and timely financial information for decision making, is seriously hindered.”

A recent case study in this could be seen in an investigation and report released a few weeks ago by the U.S. Office of Special Counsel which documented the blatant and sustained abuse of Administratively Uncontrollable Overtime, or AUO, by six separate offices at DHS. Examples such as this make it clear that without the proper financial management systems and controls in place, how can DHS and its components know that money is not being wasted?

If the American people can open up their checking account online and know to the penny how much they have, then surely the third largest federal department should be able to produce real-time financial data. Back home in South Carolina, families and businesses have had to take a hard look at their budgets and make tough choices. DHS must do the same. The better the financial information DHS has, the greater the chance it could cut costs and save taxpayer dollars without sacrificing our homeland security.

Addressing internal control weaknesses and obtaining a clean audit opinion remain challenges for the Department. DHS’s inability to obtain a clean audit opinion on its financial statements and improve the effectiveness of internal controls were key factors for GAO keeping the Department on its High Risk List. According to GAO’s most recent work, DHS has made limited progress in obtaining a clean opinion on its internal controls over financial reporting and will continue to face challenges in obtaining, and perhaps most importantly, in sustaining a clean opinion over its books until it addresses serious internal control and financial management systems deficiencies.

Using manual data calls to collect cost information from various components in order to compile data is simply not a feasible way to manage the long-term financial needs and responsibilities of the Department. While DHS turned away from the previous failed attempts to modernize its financial management systems at a department-wide level, choosing instead to focus on upgrading those components with the most critical need, GAO reports that DHS has no real vision of the end state for the future of its financial management system.

Sound and sustained financial management practices in the long-term should be a low-cost, efficient way to support the Department’s missions and goals. I could not lay the case out any clearer than the Department’s own Office of Inspector General did last year: “The Federal Government has a fundamental responsibility to be an effective steward of taxpayer dollars. Sound financial practices and related management operations are critical to achieving the Department’s mission and to providing reliable, timely financial information to support management decision-making throughout DHS. Congress and the public must be confident that DHS is properly managing its finances to minimize inefficient and wasteful spending, make informed decisions to manage government programs, and implement its policies.”

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